



160 St. Ronan Street, New Haven, CT 06511-2390 (203) 865-0587 FAX (203) 865-4997

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Connecticut State Medical Society Testimony on
Senate Bill 46 An Act Concerning Transparency of Medical Loss Ratio Information
Presented to the Insurance And Real Estate Committee
February 5, 2009

Senator Crisco, Representative Fontana and members of the Insurance and Real Estate Committee, my name is Ken Ferrucci, Vice President of Public Policy and Government Affairs for the Connecticut State Medical Society (CSMS). On behalf of our over 7,000 members, thank you for the opportunity to submit this testimony to you today on **Senate Bill 46 An Act Concerning Transparency of Medical Loss Ratio Information**.

CSMS supports **Senate Bill 46 An Act Concerning Transparency of Medical Loss Ratio Information** which would require health insurers in this state to disclose the medical loss ratio of the company or organization at the time of contracting. CSMS has consistently advocated for transparency in all aspects of the health insurance industry and strongly believes that consumers have a right to know the exact portion of premium dollars that are spent directly on health care services. Similar laws have currently been passed in fifteen states and have yielded improved transparency of insurer practices- a clear "win" for both patients and physicians.

Insurance companies are not currently required to provide consumers or employers with highly detailed information about how their premium dollars are spent. At a time when consumer premiums are increasing and physician reimbursements are dropping or stagnant, health insurance company profits continue to rise. True transparency is essential to eliminate unnecessary costs within the system. If consumers and employers are to make educated health care decisions, they need accurate and detailed data on how insurers spend their premium dollars.

To further ensure that detailed information is available we respectfully ask that the definition of "loss ratio" that currently exists in state statute be more clearly defined to delineate such expenditures. As defined "loss ratio" means the ratio of incurred claims to earned premiums by the number of years of policy duration for all combined durations. We suggest changing the definition to mean the total number of medical expenses divided by total premiums and subsequently define "medical expenses," "Premiums", "and "administrative costs." Respectively the terms would be as follows:

Medical expenses- the total amount of money that the insurer spends on direct medical care services for enrollees. This includes the total financial obligation for physician services, non-physician healthcare professional services, hospital and other health facility services, drugs and medical devices, and other health care services that the health insurer incurs on behalf of its enrollees.

Premiums- the amount that the purchaser pays to the health insurer to purchase health care coverage

Administrative Costs- include but aren't limited to, costs associated with claims processing, collection of premiums, marketing, operations, taxes, general overhead, salaries and benefits, quality assurance, utilization review and management, pharmacy and other benefit management, network contracting and management, and state and federal regulatory compliance.

Thank you for the opportunity to share these comments with you. We welcome any questions or comments.